

2. The membership on the Iowa capital transition board shall consist of all of the following members:

- a. The treasurer of state.
- b. The director of the department.
- c. The director of the department of personnel.
- d. The chairperson of the board of directors of the Iowa seed capital corporation.
- e. Three other private citizen members selected by a majority of the Iowa capital transition board members designated in paragraphs "a" through "d". Selection shall be based on established experience, expertise, and background in the areas of venture capital investments, entrepreneurial businesses, and seed and venture capital issues in general.

3. The Iowa capital transition board shall select a chairperson from among its members once all of the members of the board have been selected.

4. The duties of the Iowa capital transition board shall include, but are not limited to, the following:

a. Advise and consult with the department of revenue and finance in the development of the capital tax credits system.

b. Advise and consult with the board of directors of the Iowa seed capital corporation in the transition of Iowa seed capital corporation assets and liabilities to the Iowa capital investment board.

c. Advise and consult with the board of directors of the department of economic development on the coordination of existing department financial assistance programs with the seed and venture capital opportunities provided by this division.

d. Provide recommendations to the Iowa capital investment board regarding the carrying out of the Iowa capital investment board's duties.

5. The department of economic development shall provide the board with staff assistance, physical facilities, and other support as necessary.

6. The existence of the Iowa capital transition board shall be terminated on July 1, 1998, unless the board is terminated at an earlier time by a majority vote of the members.

Sec. 7. **EFFECTIVE DATE.** This Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 14, 1997

CHAPTER 144

ENTERPRISE ZONES

H.F. 724

AN ACT relating to investments in counties and cities by providing for the establishment of enterprise zones in areas of counties and cities for which tax incentives and assistance are available for eligible businesses locating or located in the enterprise zone.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. NEW SECTION. 15E.181 **INTENT.**

It is the intent of the general assembly that this division be administered in a manner to promote new economic development in economically distressed areas by encouraging communities to target resources in ways that attract productive private investment.

Sec. 2. NEW SECTION. 15E.182 ENTERPRISE ZONES.

1. A county may create an economic development enterprise zone as authorized in this division, subject to certification by the department of economic development, by designating up to one percent of the county area for that purpose. A county may establish more than one enterprise zone.

2. A city with a population of twenty-four thousand or more, as shown by the 1990 certified federal census, may create an economic development enterprise zone as authorized in this division, subject to certification by the department of economic development, by designating one or more contiguous census tracts, as determined in the most recent federal census or designating other geographic units approved by the department of economic development, for that purpose. If there is an area in the city which meets the requirements for eligibility for an urban or rural enterprise community under Title XIII of the federal Omnibus Budget Reconciliation Act of 1993, such area shall be designated by the state an economic development enterprise zone. The area meeting the requirements for eligibility for an urban or rural enterprise community shall not be included for the purpose of determining the area limitation pursuant to subsection 3. In creating an enterprise zone, a city with a population of twenty-four thousand or more, as shown by the 1990 certified federal census, may designate as part of the area tracts or approved geographic units located in a contiguous city if such tracts or approved geographic units meet the criteria and the city agrees to being included. The city may establish more than one enterprise zone. Reference in this division to "city" means a city with a population of twenty-four thousand or more, as shown by the 1990 certified federal census.

3. A county or city may apply to the department for an area to be certified as an enterprise zone at any time prior to July 1, 2000. However, the total amount of land designated as enterprise zones under subsections 1 and 2 shall not exceed in the aggregate one percent of the total county area.

4. An enterprise zone designation shall remain in effect for ten years following the date of certification. Any state or local incentives or assistance that may be conferred must be conferred before the designation expires. However, the benefits of the incentive or assistance may continue beyond the expiration.

Sec. 3. NEW SECTION. 15E.183 ELIGIBLE BUSINESS.

1. A business which is or will be located in an enterprise zone is eligible to receive incentives and assistance under this division if the business has not closed or reduced its operation in one area of the state and relocated substantially the same operation into the enterprise zone and if the business meets all of the following:

a. Is not a retail business.

b. Pays at least eighty percent of the cost of a standard medical and dental insurance plan for all full-time employees.

c. Pays an average wage that is at or greater than ninety percent of the lesser of the average county wage or average regional wage, as determined by the department. However, the wage paid by the business shall not be less than seven dollars and fifty cents per hour.

d. Creates at least ten full-time positions and maintains them for at least ten years. For an existing business in counties with a population of ten thousand or less, the commission may adopt a provision that allows the business to create at least five initial jobs with the additional jobs to be added in five years. The business shall include in its strategic plan the timeline for job creation. If the existing business fails to meet the ten-job creation requirement within the five-year period all incentives or assistance will cease immediately.

e. Makes a capital investment of at least five hundred thousand dollars. If the business will be occupying a vacant building suitable for industrial use, the fair market value of the building and land, not to exceed two hundred fifty thousand dollars, shall be counted toward the capital investment requirement. An existing business that has been operating in the enterprise zone for at least five years is exempt from the capital investment requirement of

this paragraph of up to two hundred fifty thousand dollars of the fair market value, as established by an appraisal, of the building and land.

2. In addition to meeting the requirements under subsection 1, an eligible business shall provide the enterprise zone commission with all of the following:

a. The long-term strategic plan for the business which shall include labor and infrastructure needs.

b. Information dealing with the benefits the business will bring to the area.

c. Examples of why the business should be considered or would be considered a good business enterprise.

d. The impact the business will have on other businesses in competition with it.

e. An affidavit that it has not, within the last five years, violated state or federal environmental and worker safety statutes, rules, and regulations or if such violation has occurred that there were mitigating circumstances or such violations did not seriously affect public health or safety or the environment.

3. If a business has received incentives or assistance under section 15E.186 and fails to maintain the requirements of subsection 1 to be an eligible business, the business is subject to repayment of all or a portion of the incentives and assistance that it has received. The city or county, as applicable, shall have the authority to take action to recover the value of taxes not collected as a result of the exemption provided by the community to the business. The department of revenue and finance shall have the authority to recover the value of state taxes or incentives provided under section 15E.186. The value of state incentives provided under section 15E.186 includes applicable interest and penalties. The department of economic development and the city and county, as applicable, shall enter into agreement with the business specifying the method for determining the amount of incentives or assistance paid which will be repaid in the event of failure to maintain the requirements of subsection 1. In addition, a business that fails to maintain the requirements of subsection 1 shall not receive incentives or assistance for each year during which the business is not in compliance.

Sec. 4. NEW SECTION. 15E.184 DISTRESS CRITERIA.

1. An enterprise zone may be designated by a county which meets at least two of the following criteria:

a. The county has an average weekly wage that ranks among the bottom twenty-five counties in the state based on the 1995 annual average weekly wage for employees in private business.

b. The county has a family poverty rate that ranks among the top twenty-five counties in the state based on the 1990 census.

c. The county has experienced a percentage population loss that ranks among the top twenty-five counties in the state between 1990 and 1995.

d. The county has a percentage of persons sixty-five years of age or older that ranks among the top twenty-five counties in the state based on the 1990 census.

2. An enterprise zone may be designated by a city which meets at least two of the following criteria:

a. The area has a per capita income of nine thousand six hundred dollars or less based on the 1990 census.

b. The area has a family poverty rate of twelve percent or higher based on the 1990 census.

c. Ten percent or more of the housing units are vacant in the area.

d. The valuations of each class of property in the designated area is seventy-five percent or less of the citywide average for that classification based upon the most recent valuations for property tax purposes.

e. The area is a blighted area, as defined in section 403.17.

3. The department of economic development shall certify eligible enterprise zones that meet the requirements of subsection 1 upon request by the county or subsection 2 upon request by the city, as applicable.

Sec. 5. NEW SECTION. 15E.185 ENTERPRISE ZONE COMMISSION.

1. A county in which an eligible enterprise zone is certified shall establish an enterprise zone commission to review applications from qualified businesses located within or requesting to locate within an enterprise zone to receive incentives or assistance as provided in section 15E.186. The commission shall consist of nine members. Five of these members shall consist of one representative of the board of supervisors, one member with economic development expertise chosen by the department of economic development, one representative of the county zoning board, one member of the local community college board of directors, and one representative of the local workforce development center. These five members shall select the remaining four members. If the enterprise zone consists of an area meeting the requirements for eligibility for an urban or rural enterprise community under Title XIII of the federal Omnibus Budget Reconciliation Act of 1993, one of the remaining four members shall be a representative of that zone. However, if the enterprise zone qualifies under the city criteria, one of the four members shall be a representative of an international labor organization and if an enterprise zone is located in any city, a representative, chosen by the city council, of each such city may be a member of the commission. A county shall have only one enterprise zone commission.

2. The commission may adopt more stringent requirements, including requirements related to compensation and benefits, for a business to be eligible for incentives or assistance than provided in section 15E.183. The commission may develop as an additional requirement that preference in hiring be given to individuals who live within the enterprise zone. The commission shall work with the local workforce development center to determine the labor availability in the area.

3. If the enterprise zone commission determines that a business qualifies for inclusion in an enterprise zone and is eligible to receive incentives or assistance as provided in section 15E.186, the commission shall submit an application for incentives or assistance to the department of economic development. The department may approve, defer, or deny the application.

4. In making its decision, the commission or department shall consider the impact of the eligible business on other businesses in competition with it and compare the compensation package of businesses in competition with the business being considered for incentives or assistance. The commission or department shall make a good faith effort to identify existing Iowa businesses within an industry in competition with the business being considered for incentives or assistance. The commission or department shall also make a good faith effort to determine the probability that the proposed incentives or assistance will displace employees of existing businesses. In determining the impact on businesses in competition with the business seeking incentives or assistance, jobs created as a result of other jobs being displaced elsewhere in the state shall not be considered direct jobs created.

However, if the commission or department finds that an eligible business has a record of violations of the law, including but not limited to environmental and worker safety statutes, rules, and regulations, over a period of time that tends to show a consistent pattern, the eligible business shall not qualify for incentives or assistance under section 15E.186, unless the commission or department finds that the violations did not seriously affect public health or safety or the environment, or if it did that there were mitigating circumstances. In making the findings and determinations regarding violations, mitigating circumstances, and whether an eligible business is eligible for incentives or assistance under section 15E.186, the commission or department shall be exempt from chapter 17A. If requested by the commission or department, the business shall provide copies of materials documenting the type of violation, any fees or penalties assessed, court filings, final disposition of any findings and any other information which would assist the commission or department in assessing the nature of any violation.

5. A business that is approved to receive incentives or assistance shall, for the length of its designation as an enterprise zone business, certify annually to the county or city, as appli-

cable, and the department of economic development its compliance with the requirements of section 15E.183.

Sec. 6. NEW SECTION. 15E.186 INCENTIVES — ASSISTANCE.

For purposes of determining the incentives or assistance provided in this section, “eligible business” means a business which has been approved to receive incentives and assistance by the department of economic development pursuant to application as provided in section 15E.185. The incentives and assistance provided under this division for businesses located in enterprise zones shall be for a period not to exceed ten years and shall include all of the following:

1. New jobs credit from withholding, as provided in section 15.331.
2. Sales, services, and use tax refund, as provided in section 15.331A.
3. Investment tax credit, as provided in section 15.333.
4. Research activities credit, as provided in section 15.335.

5. The county or city for which an eligible enterprise zone is certified may exempt from all property taxation all or a portion of the value added to the property upon which an eligible business locates or expands in an enterprise zone and which is used in the operation of the eligible business. The amount of value added for purposes of this subsection shall be the amount of the increase in assessed valuation of the property following the location or expansion of the business in the enterprise zone. The exemption may be allowed for a period not to exceed ten years beginning the year the eligible business enters into an agreement with the county or city to locate or expand operations in an enterprise zone.

Approved May 14, 1997

CHAPTER 145

LOCAL OPTION SALES AND SERVICES TAXES

H.F. 729

AN ACT relating to reporting and depositing of local option sales and services taxes to the department of revenue and finance by retailers and increasing the amount of estimated distribution and frequency of distribution to cities and counties by the department of revenue and finance.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 422B.9, Code 1997, is amended by adding the following new unnumbered paragraph after unnumbered paragraph 4:

NEW UNNUMBERED PARAGRAPH. Frequency of deposits and quarterly reports of a local sales and services tax with the department of revenue and finance are governed by the tax provisions in section 422.52. Local tax collections shall not be included in computation of the total tax to determine frequency of filing under section 422.52.

Sec. 2. Section 422B.10, subsection 2, Code 1997, is amended to read as follows:

2. a. The director of revenue and finance within fifteen days of the beginning of each fiscal year shall send to each city or county where the local option tax is imposed, an estimate of the amount of tax moneys each city or county will receive for the year and for each ~~quarter~~ month of the year. At the end of each ~~quarter~~ month, the director may revise the estimates for the year and remaining ~~quarters~~ months.